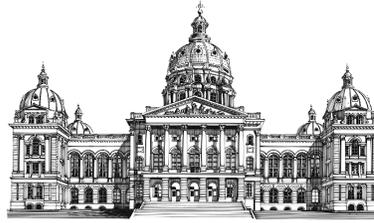


# Iowa Legislative Fiscal Bureau

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State Capitol  
Des Moines, IA 50319  
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## Update on Riverboat, Pari-Mutuel, and Slot Machine Operations

(Updated October 1995)

### ISSUE

Update on riverboat, pari-mutuel, and slot machine operations in Iowa.

### AFFECTED AGENCIES

Department of Inspections and Appeals  
Department of Public Safety

### CODE AUTHORITY

Chapters 99D and 99F, Code of Iowa

### BACKGROUND

#### History of Gambling in Iowa

- 1983 - SF 92 authorized pari-mutuel gambling (dog and horse racing)
- 1989 - SF 220 authorized simulcasting at pari-mutuel racetracks
- 1989 - SF 124 authorized riverboat gambling
- 1994 - HF 2179 authorized slot machines at pari-mutuel racetracks
- 1994 - HF 2179 removed the \$5 bet limit, \$200 daily loss limit, and allowed facilities to operate 24-hours a day

#### Regulation of Gambling in Iowa

The Iowa Racing and Gaming Commission administers pari-mutuel wagering laws, riverboat gambling laws, and agency rules to assure the integrity of racetrack and riverboat gambling operations. The five Commission members are appointed by the Governor and confirmed by the Senate.

The Racing and Gaming Commission within the Department of Inspections and Appeals and the Division of Criminal Investigation of the Department of Public Safety are responsible for regulation of gambling operations. Licensing assistants and gaming representatives perform regulatory functions for the Racing and Gaming Commission. Duties of licensing assistants include:

- Processing occupational license applications
- Reconciling daily reports
- Providing information to patrons and licensees

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- Assisting gaming representatives and Division of Criminal Investigation agents

Duties of gaming representatives aboard riverboats and at racetracks include:

- Observing activities to insure compliance with all applicable laws and regulations
- Interpreting applicable administrative rules, statutes, and regulations
- Reviewing incident reports and conducting investigations
- Reviewing licensing applications and background checks

The Division of Criminal Investigation performs background checks and provides on-site enforcement of regulations. At racetracks this includes:

- Racing rules investigations
- Barn/kennel inspections
- Starting gate/box inspections
- Alcohol breath tests
- Employee drug tests
- License inspection checks
- Incident reports

Special agents and Gambling Enforcement Officers perform regulatory and law enforcement functions on riverboats for the Division of Criminal Investigation.

- Regulatory functions include inspection of table games, pit stands, cards and dice, and slot machines; jackpot verification; and licensing background reviews.
- Law enforcement functions include background investigations and criminal investigations of assault, public intoxication/underage drinking, theft, counterfeiting, and cheating.

### **Revenue Flow**

Riverboat and racetrack owners pay a wagering tax on gambling revenue. The wagering tax is distributed to:

- The city in which the riverboat or racetrack is located
- The county in which the riverboat or racetrack is located
- The Gamblers Assistance Fund
- The State General Fund

Refer to **Attachment A** for detailed information on how the wagering tax is calculated and distributed for the various types of gambling.

### **Revenues and Expenses - A Historical Perspective**

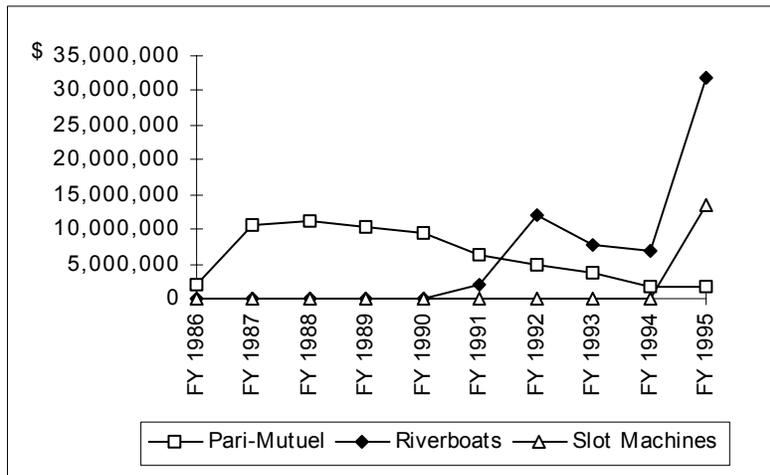
Figure 1 shows that the General Fund revenue generated by gambling enterprises other than the Lottery totaled \$47.0 million in FY 1995. This is an increase of \$44.9 million (2,132.4%) compared to FY 1986, the first fiscal year the General Fund received revenue from gambling.

**Figure 1**  
**Wagering Tax Revenue to the General Fund**

	Pari-Mutuel	Riverboats	Slot Machines	Total
FY 1986	\$ 2,105,033	NA	NA	\$ 2,105,033
FY 1987	10,698,238	NA	NA	10,698,238
FY 1988	11,093,673	NA	NA	11,093,673
FY 1989	10,347,942	NA	NA	10,347,942
FY 1990	9,420,393	NA	NA	9,420,393
FY 1991	6,306,801	\$ 1,928,361	NA	8,235,162
FY 1992	4,754,226	12,160,807	NA	16,915,033
FY 1993	3,870,334	7,637,891	NA	11,508,225
FY 1994	1,695,859	6,841,758	NA	8,537,617
FY 1995	1,729,751	31,723,085	\$ 13,539,467	46,992,303
	<u>\$ 62,022,250</u>	<u>\$60,291,902</u>	<u>\$ 13,539,467</u>	<u>\$ 135,853,619</u>

Figure 2 shows a sharp increase in FY 1995 General Fund revenue from riverboat gambling and a general decline since FY 1989 in General Fund revenue from pari-mutuel gambling. General Fund revenue from riverboats has increased \$29.8 million (1,545.1%) since it began in FY 1991, while revenue from pari-mutuel wagering has decreased from a high of \$11.0 million in FY 1988 to the current level of \$1.7 million in FY 1995. Revenue from slot machines contributed \$13.5 million to the General Fund in only three and one-half months of operation in FY 1995.

**Figure 2**  
**General Fund Revenue by Gambling Type**



The increase in General Fund revenue from riverboat gambling can be attributed to changes made during the 1994 Legislative Session, including the elimination of the maximum \$5 bet and \$200 loss limits. Also eliminated were restrictions on cruise schedules and operating hours, making riverboat gambling more comparable to land-based casinos in terms of accessibility. In addition, there were seven riverboats in operation during some portion of FY 1995, compared to three boats in operation during FY 1994.

Wagering tax revenues to the State are partially offset by expenses incurred by the Division of Criminal Investigation (DCI) and the Racing and Gaming Commission (RGC). Figure 3 shows that regulation expenses totaled \$5.0 million for FY 1995, an increase of \$1.2 million (32.2%) compared to FY 1994. The increase was due to the operation of four additional riverboats during some portion of FY 1995 and the addition of slot machines at Bluffs Run and Prairie Meadows Racetracks. Regulation expenses are equal to approximately 10.7% of General Fund revenues generated from riverboat, pari-mutuel, and slot machine operations.

**Figure 3**  
**State Gambling Expenditures**

	Riverboats		Pari-Mutuel		Total	
	DCI	RGC	DCI	RGC	DCI	RGC
FY 1990	\$ 751,149	\$ 0	\$ 252,604	\$ 0	\$1,003,753	\$ 0
FY 1991	1,283,203	1,922,053	288,897	1,878,605	1,572,100	3,800,658
FY 1992	1,274,315	540,891	248,719	1,713,476	1,523,034	2,254,367
FY 1993	1,082,133	605,926	293,158	1,692,845	1,375,291	2,298,771
FY 1994	1,157,436	602,509	306,540	1,739,818	1,463,976	2,342,327
FY 1995	2,228,737	656,828	588,051	1,559,293	2,816,788	2,216,121
Total	\$7,776,973	\$4,328,207	\$1,977,969	\$8,584,037	\$9,754,942	\$12,912,244

Expenses incurred by the Racing and Gaming Commission for regulation of riverboat gambling operations are charged to riverboat owners, and thus are revenue-neutral.

## CURRENT SITUATION

### **Riverboats and Racetracks Currently in Operation**

Name	Location	Operations
The President	Davenport	776 slot machines 61 table games
Mississippi Belle II	Clinton	444 slot machines 26 table games
Diamond Jo	Dubuque	332 slot machines 17 table games
Catfish Bend	Southeast Iowa	302 slot machines 22 table games
Miss Marquette	Marquette	620 slot machines 31 table games
Lady Luck	Bettendorf	784 slot machines 41 table games
Belle of Sioux City	Sioux City	441 slot machines 31 table games

Name	Location	Operations
Bluffs Run	Council Bluffs	Dog Racing Simulcasting Slot Machines
Prairie Meadows	Altoona	Horse Racing Simulcasting Slot Machines
Dubuque Greyhound Park	Dubuque	Dog Racing Simulcasting
Waterloo Greyhound Park	Waterloo	Simulcasting

Refer to **Attachment B** for a map indicating the location of each operation.

### Revenues

Total tax receipts to the General Fund from riverboat gambling in FY 1995 were \$31.7 million. This is an increase of \$25.0 million (370.0%) compared to FY 1994. Refer to **Attachment C** for information on individual riverboats.

Total tax receipts to the General Fund from pari-mutuel gambling in FY 1995 were \$1.7 million. This is an increase of \$34,000 (2.0%) compared to FY 1994 and a decrease of \$2.1 million (55.3%) compared to FY 1993. Refer to **Attachment D** for information on individual racetracks.

Total tax receipts to the General Fund from slot machines at the Bluffs Run and Prairie Meadows Racetracks totaled \$13.5 million during FY 1995. Slot machine operations began March 15 at Bluffs Run and April 1 at Prairie Meadows. This is an increase of \$10.5 million (345.4%) compared to the FY 1995 revenue estimate made by the Racing and Gaming Commission in February 1995. Refer to **Attachment E** for detailed information.

### Future Operations

The Racing and Gaming Commission has approved applications for licenses for two additional riverboats expected to begin operations in the Council Bluffs area after January 1, 1996. Dubuque Greyhound Park is expected to begin slot machine operations in November 1995.

### BUDGET IMPACT

The Revenue Estimating Conference has estimated FY 1996 General Fund revenues from riverboat, pari-mutuel, and slot machine operations to be \$93.4 million. This includes \$45.4 million from riverboats, \$1.5 million from pari-mutuel facilities, and \$46.5 million from slot machines at racetracks. This is an increase of \$46.5 million (99.0%) compared to FY 1995 General Fund revenue of \$46.9 million.

The Racing and Gaming Commission and the Division of Criminal Investigation have received appropriations for FY 1996 of \$2.6 million and \$3.1 million respectively for regulation of gaming operations. This is an increase of \$698,000 (13.9%) compared to FY 1995.

STAFF CONTACT: Leah Churchman (Ext. 17846) Valerie Thacker (Ext. 15270)

## Wagering Tax Calculation and Distribution

### Pari-Mutuel Horse Racing - Section 99D.15(1), Code of Iowa

*Calculation:*  $0.06 \times$  gross wagered (paid within ten days after each horse race meeting)

*Distribution:*  $0.005 \times$  gross wagered - city  
 $0.005 \times$  gross wagered - county  
 remainder - State General Fund

### Pari-Mutuel Dog Racing - Section 99D.15(3), Code of Iowa

*Calculation:*  $0.06 \times$  gross wagered (if gross wagered is  $\geq$  \$55.0 million)  
 $0.05 \times$  gross wagered (if gross wagered is  $\geq$  \$30.0 million, but  $<$  \$55.0 million)  
 $0.04 \times$  gross wagered (if gross wagered is  $<$  \$30.0 million)

*Distribution:*  $0.005 \times$  gross wagered - city  
 $0.005 \times$  gross wagered - county  
 remainder - State General Fund

### Simulcasting - Section 99D.15(4), Code of Iowa

*Calculation:*  $0.02 \times$  gross wagered

*Distribution:*  $0.005 \times$  gross wagered - city  
 $0.005 \times$  gross wagered - county  
 remainder - State General Fund

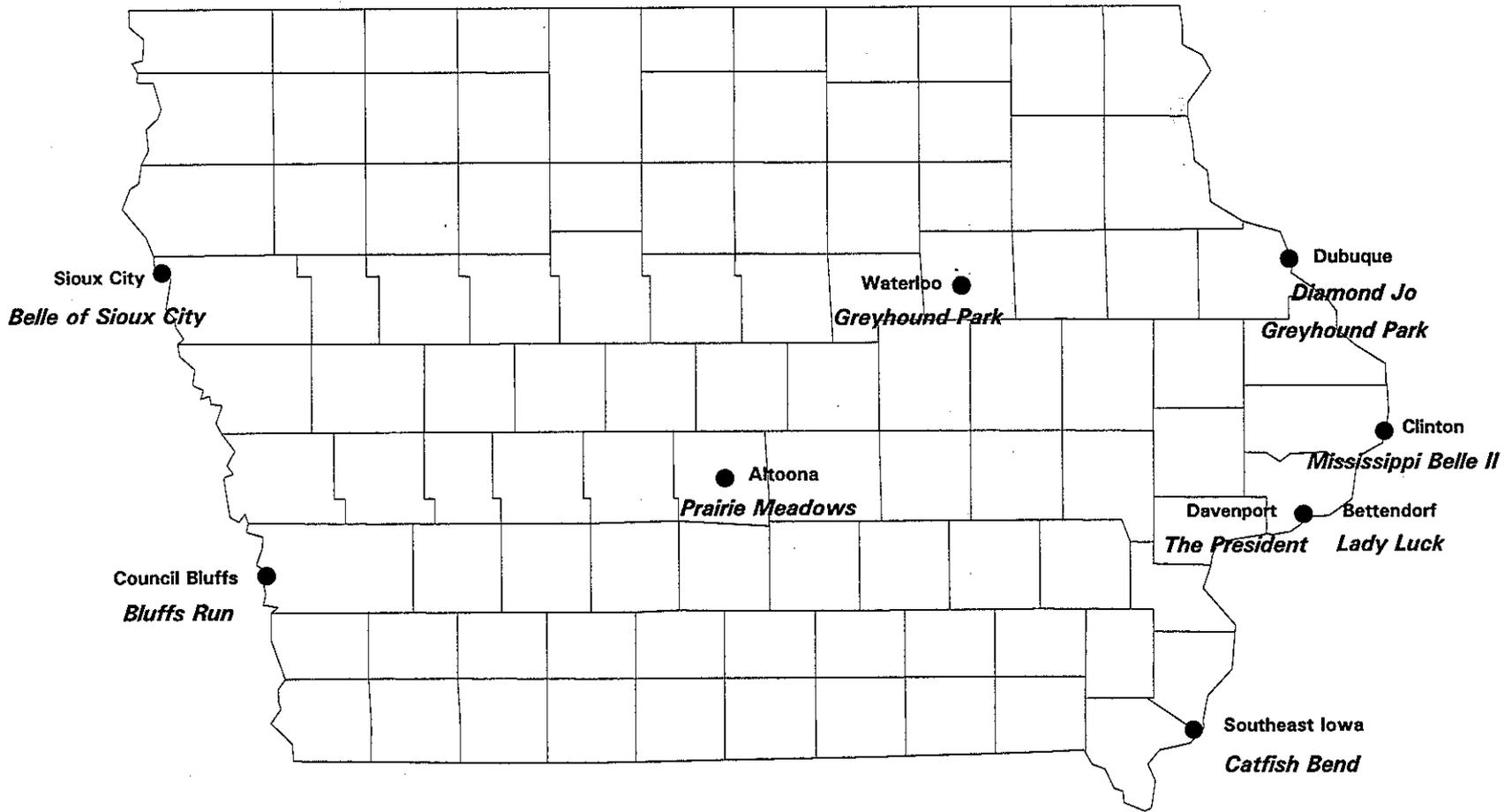
### Casino Games - Section 99F.11 Code of Iowa

*Calculation:*  $(0.05 \times$  first \$1.0 million adjusted gross receipts)  
 $+ (0.10 \times$  next \$2.0 million adjusted gross receipts)  
 $+ (0.20 \times$  remaining adjusted gross receipts)\*

*Distribution:*  $0.005 \times$  adjusted gross receipts - city  
 $0.005 \times$  adjusted gross receipts - county  
 $0.003 \times$  adjusted gross receipts - Gamblers Assistance Fund  
 remainder - State General Fund

\*Beginning January 1, 1997, the rate on any amount of adjusted gross receipts over \$3.0 million from gambling games at racetrack enclosures is 22.0% and will increase by 2.0% each succeeding calendar year until the rate is 36.0%.

# Riverboat, Pari-Mutuel, and Slot Machine Operations



## Riverboat Gambling Statistics by Boat

	<u>Gross Slot Receipts</u>	<u>Gross Table Receipts</u>	<u>Total Gross Wagered</u>	<u>Total Payout to Customers</u>	<u>City Tax</u>	<u>County Tax</u>	<u>Gamblers Assistance</u>	<u>General Fund Tax Receipts</u>	<u>Admissions</u>
<b>President</b>									
FY 1994	\$ 360,657,532	\$ 18,505,499	\$ 379,163,031	\$ 344,143,008	\$ 175,100	\$ 175,100	\$ 1,050,601	\$ 5,253,204	1,322,403
FY 1995	810,098,927	86,118,036	896,216,963	817,370,561	394,232	394,232	254,452	14,303,673	2,040,227
Difference	\$ 449,441,394	\$ 67,612,537	\$ 517,053,932	\$ 473,227,552	\$ 219,132	\$ 219,132	\$ -796,149	\$ 9,050,470	717,824
Percent Change	124.62%	365.36%	136.37%	137.51%	125.15%	125.15%	-75.78%	172.28%	54.28%
<b>Mississippi Belle II</b>									
FY 1994	\$ 98,127,549	\$ 3,956,838	\$ 102,084,388	\$ 92,044,149	\$ 50,202	\$ 50,202	\$ 301,212	\$ 1,256,402	312,667
FY 1995	250,057,873	19,011,465	269,069,337	244,943,237	120,631	120,631	75,784	4,131,994	630,374
Difference	\$ 151,930,323	\$ 15,054,626	\$ 166,984,950	\$ 152,899,088	\$ 70,428	\$ 70,428	\$ -225,429	\$ 2,875,591	317,707
Percent Change	154.83%	380.47%	163.58%	166.11%	140.29%	140.29%	-74.84%	228.88%	101.61%
<b>Sioux City Sue</b>									
FY 1994	\$ 28,335,714	\$ 2,520,198	\$ 30,855,912	\$ 27,146,526	\$ 18,543	\$ 18,543	\$ 111,259	\$ 239,919	163,751
FY 1995	39,218,541	7,561,343	46,779,884	40,837,687	29,702	29,702	19,934	758,751	214,003
Difference	\$ 10,882,827	\$ 5,041,145	\$ 15,923,971	\$ 13,691,161	\$ 11,159	\$ 11,159	\$ -91,325	\$ 518,833	50,252
Percent Change	38.41%	200.03%	51.61%	50.43%	60.18%	60.18%	-82.08%	216.25%	30.69%
<b>Diamond Jo</b>									
FY 1994	\$ 19,666,812	\$ 2,615,750	\$ 22,282,562	\$ 20,133,061	\$ 10,748	\$ 10,748	\$ 64,485	\$ 92,234	72,650
FY 1995	238,234,478	29,110,873	267,345,351	241,888,076	127,292	127,292	80,857	4,357,241	728,353
Difference	\$ 218,567,666	\$ 26,495,123	\$ 245,062,789	\$ 221,755,015	\$ 116,545	\$ 116,545	\$ 16,372	\$ 4,265,007	655,703
Percent Change	1111.35%	1012.91%	1099.80%	1101.45%	1084.39%	1084.39%	25.39%	4624.14%	902.55%
<b>Catfish Bend</b>									
FY 1994	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FY 1995	\$ 78,813,511	\$ 14,300,387	\$ 93,113,898	\$ 82,007,835	\$ 55,530	\$ 55,530	\$ 33,318	\$ 1,709,443	332,698
<b>Miss Marquette</b>									
FY 1994	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FY 1995	\$ 149,635,223	\$ 18,819,087	\$ 168,454,310	\$ 149,576,769	\$ 94,388	\$ 94,388	\$ 56,633	\$ 3,134,516	491,509
<b>Belle of Sioux City</b>									
FY 1994	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FY 1995	\$ 81,122,567	\$ 17,025,964	\$ 98,148,531	\$ 86,146,306	\$ 60,011	\$ 60,011	\$ 36,007	\$ 1,871,385	434,015
<b>Lady Luck</b>									
FY 1994	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FY 1995	\$ 99,439,323	\$ 11,106,994	\$ 110,546,317	\$ 100,539,290	\$ 50,035	\$ 50,035	\$ 30,021	\$ 1,456,083	325,239
<b>Total All Boats</b>									
FY 1994	\$ 506,787,608	\$ 27,598,285	\$ 534,385,893	\$ 483,466,744	\$ 254,593	\$ 254,593	\$ 1,527,557	\$ 6,841,758	1,871,471
FY 1995	1,746,620,442	203,054,149	1,949,674,591	1,763,309,760	931,821	931,821	587,005	31,723,085	5,196,418
Difference	\$ 1,239,832,834	\$ 175,455,864	\$ 1,415,288,698	\$ 1,279,843,016	\$ 677,229	\$ 677,229	\$ -940,552	\$ 24,881,327	3,324,947
Percent Change	244.65%	635.75%	264.84%	264.72%	266.00%	266.00%	-61.57%	363.67%	177.66%

## Racetrack Gambling Statistics by Track

	<u>Days of Operation*</u>	<u>Pari-Mutuel Wagered**</u>	<u>Simulcasting Wagered**</u>	<u>Total Gross Wagered**</u>	<u>City Tax**</u>	<u>County Tax**</u>	<u>General Fund Tax Receipts**</u>	<u>Attendance*</u>
<b>Bluffs Run</b>								
FY 1994	302	\$ 42,277,746	\$ 0	\$ 42,277,746	\$ 211,389	\$ 211,389	\$ 1,268,332	432,702
FY 1995	326	34,455,244	8,937,202	43,392,446	216,962	216,962	1,467,582	1,681,792
Difference	24	\$ -7,822,502	8,937,202	\$ 1,114,700	\$ 5,574	\$ 5,574	\$ 199,250	1,249,090
Percent Change	7.95%	-18.50%	100.00%	2.64%	2.64%	2.64%	15.71%	288.67%
<b>Prairie Meadows</b>								
FY 1994	312	\$ 5,362,700	\$ 34,029,649	\$ 39,392,349	\$ 0	\$ 0	\$ 0	270,955
FY 1995	322	4,662,076	32,385,946	37,048,022	0	0	0	1,048,313
Difference	10	\$ -700,624	\$ -1,643,703	\$ -2,344,327	\$ 0	\$ 0	\$ 0	777,358
Percent Change	3.21%	-13.06%	-4.83%	-5.95%	0.00%	0.00%	0.00%	286.90%
<b>Dubuque</b>								
FY 1994	300	\$ 7,398,008	\$ 5,130,891	\$ 12,528,899	\$ 62,645	\$ 62,645	\$ 273,249	119,014
FY 1995	317	4,391,919	6,940,378	11,332,297	56,662	56,662	201,161	98,138
Difference	17	\$ -3,006,089	\$ 1,809,487	\$ -1,196,602	\$ -5,983	\$ -5,983	\$ -72,088	-20,876
Percent Change	5.67%	-40.63%	35.27%	-9.55%	-9.55%	-9.55%	-26.38%	-17.54%
<b>Waterloo</b>								
FY 1994	304	\$ 3,418,702	\$ 5,171,674	\$ 8,590,376	\$ 42,952	\$ 42,952	\$ 154,278	78,041
FY 1995	299	0	6,100,843	6,100,843	30,504	30,504	61,008	42,196
Difference	-5	\$ -3,418,702	929,169	\$ -2,489,533	\$ -12,448	\$ -12,448	\$ -93,270	-35,845
Percent Change	-1.64%	-100.00%	17.97%	-28.98%	-28.98%	-28.98%	-60.46%	-45.93%
<b>Total All Tracks</b>								
FY 1994	1,218	\$ 58,457,156	\$ 44,332,214	\$ 102,789,370	\$ 316,985	\$ 316,985	\$ 1,695,859	900,712
FY 1995	1,264	43,509,239	54,364,369	97,873,608	304,128	304,128	1,729,751	2,870,439
Difference	46	\$ -14,947,917	10,032,155	\$ -4,915,762	\$ -12,858	\$ -12,858	\$ 33,892	1,969,727
Percent Change	3.78%	-25.57%	22.63%	-4.78%	-4.06%	-4.06%	2.00%	218.69%

\* These figures reflect Days of Operation and Attendance during the months of the fiscal year, not the racing season.

\*\* These figures are reflected in the fiscal year during which the racing season ended. Racing seasons may cross fiscal years, but revenues to the General Fund are not realized until the end of the racing season.

**Slot Machine Statistical Summary by Racetrack  
FY 1995**

	<u>Prairie Meadows</u>	<u>Bluffs Run</u>	<u>Total</u>
Admissions	882,558	1,430,451	2,313,009
Gross Receipts	\$ 369,479,658	\$ 691,464,035	\$ 1,060,943,693
Adjusted Gross Receipts	\$ 31,841,995	\$ 44,494,708	\$ 76,336,702
Winning Percentage	8.62%	6.43%	7.20%
Number of Slot Machines	1,100	1,120	2,220
Average Daily Win/Slot Machine	\$ 318	\$ 368	\$ 347
Taxes Paid to City	\$ 159,210	\$ 222,474	\$ 381,684
Taxes Paid to County	\$ 159,210	\$ 222,474	\$ 381,684
Taxes Paid to Gamblers Assistance Fund	\$ 95,526	\$ 133,484	\$ 229,010
Wagering Tax to State General Fund	\$ 5,569,205	\$ 7,970,262	\$ 13,539,467
Admission Tax to State General Fund	\$ 441,280	\$ 715,226	\$ 1,156,505
Total Tax to State General Fund	\$ 6,010,484	\$ 8,685,488	\$ 14,695,973